

# **Mitsubishi Motors Revitalization Plan**

**Mitsubishi Motors Corporation**

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**January 28, 2005**

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**Takashi Nishioka**  
**Chairman & CEO**

## Business Revitalization Plan

**Recover Trust**

**Restore Earnings**

## Changes in Environment

Past Recall Issues

Further deterioration of credibility

Concern over the delay of business recovery and financial health

## Current Situation

Submission of past recalls completed

Continuous implementation of corporate reform

Declining sales volume

Rapid shortfall of capital

Ongoing

Additional counter measures

# Corporate Culture Reform Initiatives

2004							2005												From 2006
6	7	8	9	10	11	12	1	2	3	4	5	6	7	8	9	10	11	12	

- Establishment of the CSR Promotion Office, responsible for corporate culture reform and business ethics
- Declaration by the Chairman and the President that business ethics is a top priority
- Establishment of the Business Ethics Committee, formed by external intellectuals and experts

## Awareness Reform

Instruction and advice to the CSR Promotion Office by the Business Ethics Committee

Thorough investigation of recall problems

Establishment of preventative measures and disciplinary actions

Observance of corporate ethics by compliance officer

Presentation of written pledge to obey corporate ethics by all employees

## Foster Culture

Problem solving through cross-functional activities

Training and promoting talented personnel to higher positions

Personnel evaluation reflecting "Customer first" practice

Personnel exchanges with sales co. and dept. rotations

## 1. Customer First – Recovering Trust

- Put the customer first from marketing through after-sales service
- Thorough improvement of product quality

## 2. Business Strategy

- Incorporate downside risk into the sales plan
- Expand business tie-ups with other automotive companies
- Optimize the utilization of production capacity and sales networks (North America, Australia, Japan)

## 3. Reinforcement of Capital and Financing

- Strengthen financial standing and secure capital for revitalization

## 4. Strengthen Management's Effectiveness

- Headed by a new management team
- Establish a thorough follow-up system

## Business Revitalization Plan on May 21

**FY2005  
Positive  
Ordinary Profit**

**FY2006  
Positive  
Net Income**

## Today's Announcement

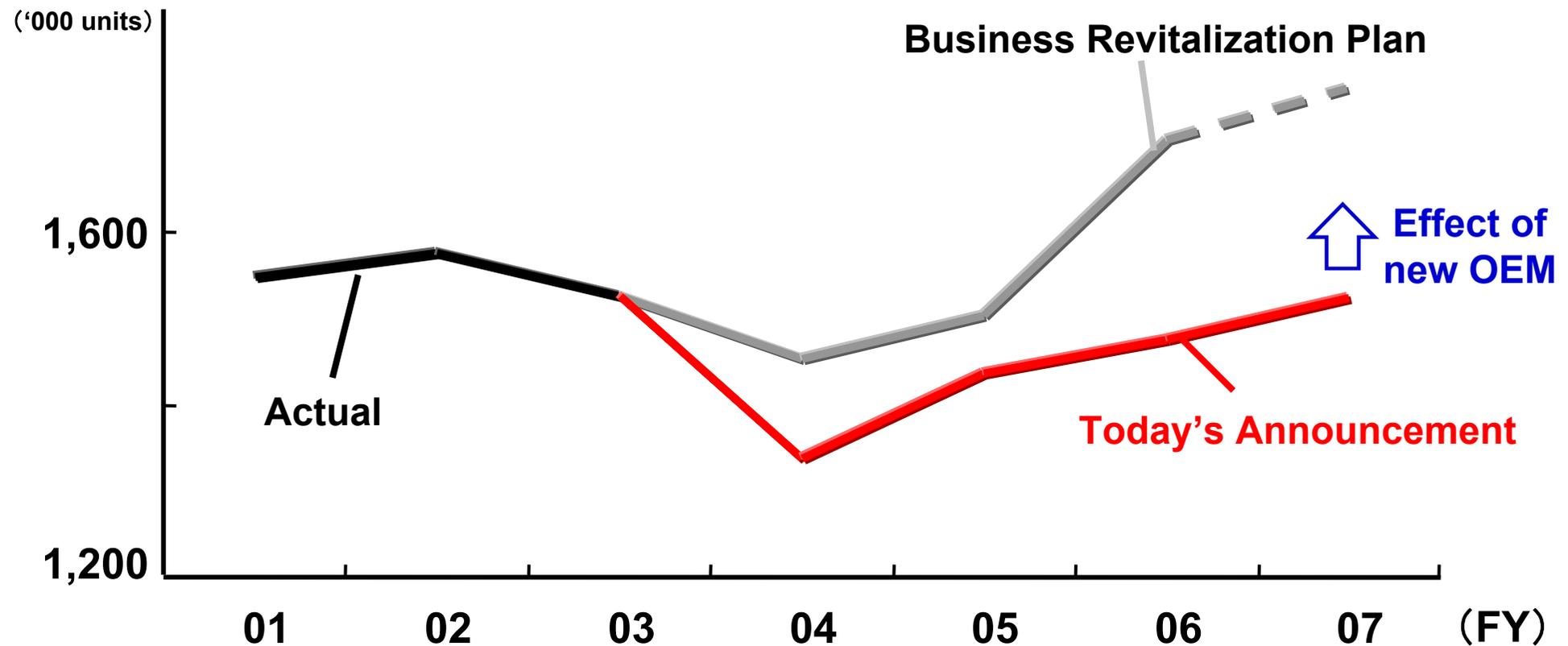
**FY2006 – Return to Profitability  
Net Income: ¥ 8 billion**

**FY2007 – Establish  
Sustainable  
Profitability  
Net Income: ¥ 41 billion**

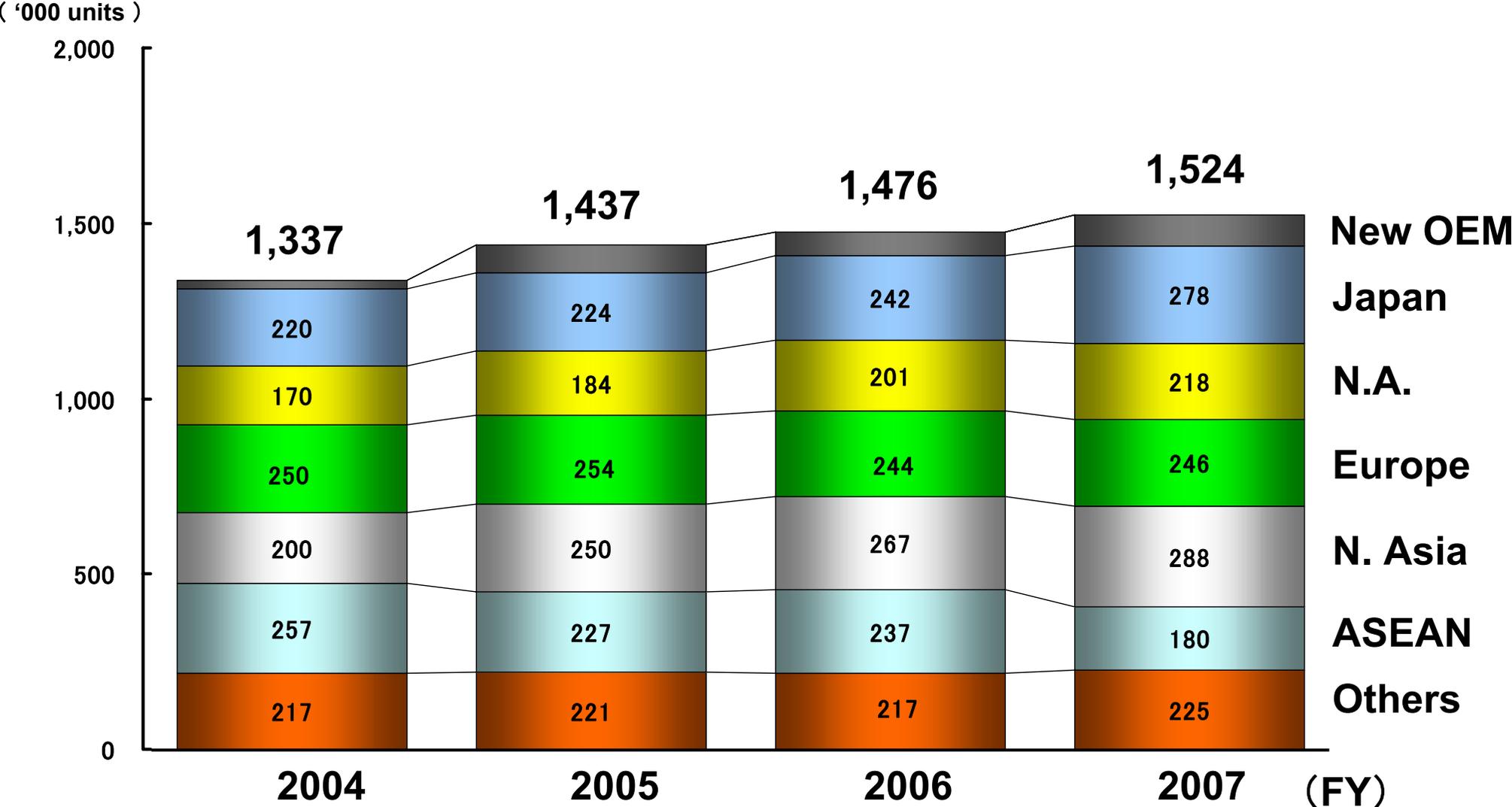
**Osamu Masuko**  
**President & COO**

## Realistic Sales Plan

- Downward revision of sales plan for Japan and North America
- Reflect the slowdown of market expansion in China (North Asia)



## Region-specific Sales Volume Plan



# Product Strategy



**SUV DNA**

**Safety - Durability**

**Driving Performance  
On and Off Road**

**SPORTY DNA**

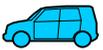
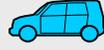
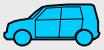
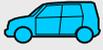
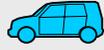
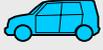
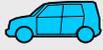
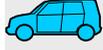
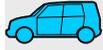
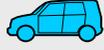
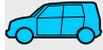
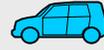
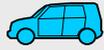
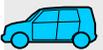


## No. of models in FY2007 (new models + existing models)

	<u>May 2004 Business Revitalization Plan</u>	<u>Today's Announcement</u>
Global Models	9 Models	10 Models
Regional Models	17 Models	14 Models
Total	26 Models	24 Models

# New Model Launches (Global Models / Regional Models)

May 2004 Business Revitalization Plan

		Today's Announcement	 Global models	 Regional models (incl. Mini-cars)			
FY00-FY03		FY04-FY07	FY04	FY05	FY06	FY07	FY04-FY07
Japan	6 Models	10 (5) Models		 	  	  	10 (5) Models
North America	7 Models	6 (3) Models		 	  		7 (3) Models
Europe	5 Models	10 (2) Models	  	 	  	 	10 (2) Models
China	5 Models	8 (2) Models	   		 		11 (3) Models
ASEAN	3 Models	6 (1) Models			 	 	6 (1) Models
Other regions	4 Models	11 (0) Models	  	 	  	  	12 (0) Models

( ): Regional models

# Domestic Sales Model Development Plan



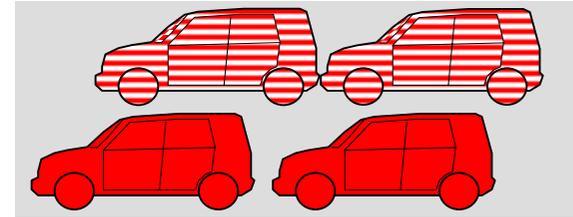
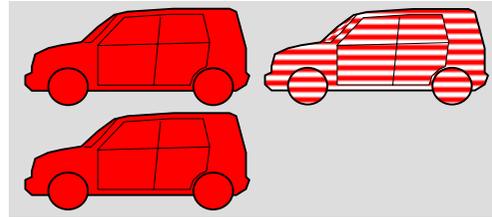
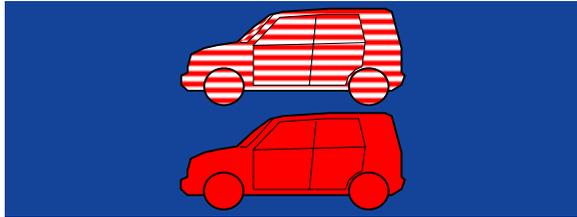
New model



Full model change

FY05

FY06~FY06~07



# New Category SUV



# New Category Minicar



# **Business Tie-up Strategy**

## Active Promotion of Strategic Business Tie-up Opportunities

- OEM supply of minicars to Nissan - 36,000 units per year
- OEM supply of SUV to Peugeot Citroen Group (PSA)  
(contract to be signed beginning of February)

## Tie-ups That Will Be Considered Going Forward

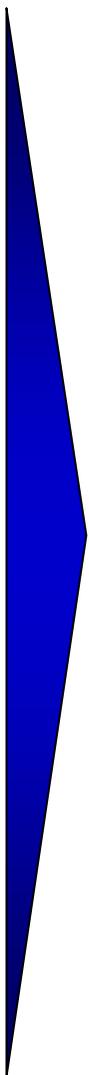
- Expand OEM supply of vehicles
- Component supply partnering
- Joint distribution
- Joint procurement

# Regional Strategy

## Establish Stable Profitability Including Local Sales Companies

### Current Issues

- **Unforeseen impact caused by recalls**
  - Delay in credibility restoration
  - Slow sales performance
    - ▶ Voluntary restraint of advertisement
    - ▶ Postponing new model introduction
- **Excess Capacity**
  - Production facilities
  - Sales structure



### Today's Announcement

- |       |  |
|-------|--|
| Sales | <ul style="list-style-type: none"> <li>■ Continue follow-ups and measures for credibility restoration for 3.4 million customers who visited MMC dealers for free vehicle inspections in cooperation with sales companies</li> <li>■ Restructure of sales network           <ul style="list-style-type: none"> <li>● Restructure consolidated sales subsidiaries – geographic coverage expansion<br/>[Indirect personnel Ratio 24%('03) → 20% ('06) ]</li> <li>● Maintain and empower local independent sales companies<br/>[Strengthen communication, special management support ]</li> <li>● Consolidate parts sales companies – geographic coverage expansion and strengthening of external sales</li> </ul> </li> <li>■ Maximize after-sales business           <ul style="list-style-type: none"> <li>● Optimize sales network and service structure in accordance with the number of Mitsubishi vehicles owned by customers<br/>[ 929 stores('03) → 800 stores~('06) ]<br/>[ Sales expense covered ratio 53%('03) → 60% ('06)]</li> </ul> </li> </ul> |
|-------|--|

- |       |  |
|-------|--|
| Prod. | <ul style="list-style-type: none"> <li>■ Expansion of OEM supply of mini-cars to Nissan</li> <li>■ Expansion of OEM supply of SUVs to Peugeot</li> </ul> |
|-------|--|

## Establish a Profitable Structure

Unchanged - North America remains a vital core market

### Current Issues

- **Slow recovery of retail sales**
  - Concern toward MMC caused by the product recall problem in Japan
  - Damaged brand as a result of inappropriate sales measures in the past
  - Rapid and drastic decrease in sales volume as a result of moving away from fleet reliance
- **Excessive production capacity**
  - 2 shifts => 1 shift (completed)

### Today's Announcement

<b>Mgmt</b>	<ul style="list-style-type: none"> <li>■ Renew the local management structure (including CEO)</li> </ul>
<b>Sales</b>	<ul style="list-style-type: none"> <li>■ Ongoing and annual introduction of 5 new models in 3 years starting 2005</li> <li>■ Improve residual value of used cars by decreasing ratio of fleet sales</li> <li>■ Brand rebuilding</li> </ul>
<b>Prod.</b>	<ul style="list-style-type: none"> <li>■ Excessive production capacity deemed impaired</li> <li>■ Utilize excess production capacity to expand exports to other markets such as the Middle East and Eastern Europe</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>■ Collaboration with Merrill Lynch                             <ul style="list-style-type: none"> <li>● Partial disposal of financial assets possessed (removal of risks)</li> <li>● Joint venture business tie-up ( to provide competitive financial services products)</li> </ul> </li> </ul>

## From the Establishment of Business to the Stage of Growth

### Current Issues

- Strengthening and reorganization of sales structure
  
- Expanding Sales of the Colt core model series

### Today's Announcement

Management	<ul style="list-style-type: none"> <li>■ Strengthen management with new structure: Operating company (MME), Germany, etc</li> <li>■ Reorganize and restructure subsidiaries: strengthening of sales force and financial ability</li> </ul>
Sales	<ul style="list-style-type: none"> <li>■ Sales expansion of Colt                             <ul style="list-style-type: none"> <li>● Review of sales/pricing policy and volume increase measures</li> <li>● Strengthen product line-up (3-door cars/turbo/diesel)</li> </ul> </li> <li>■ Strengthen regional strategy                             <ul style="list-style-type: none"> <li>● Revitalize and strengthen sales in Germany</li> <li>● Strengthen sales network in Southern Europe (France, Spain)</li> <li>● Sales expansion in Russia: Strengthening of sales with Lancer as major product</li> </ul> </li> </ul>
Production	<ul style="list-style-type: none"> <li>■ Strengthen production business management (management control and cost control)</li> <li>■ Improve plant utilization and further reduce material costs</li> </ul>

## Active Utilization of the Strong Mitsubishi Brand

### Current Issues

- Ensure sales volume and sales expansion of Mitsubishi brand vehicles
- Utilization of engine plants
- Development of sales structure

### Today's Announcement

Tie-ups	<ul style="list-style-type: none"> <li>■ Direct investment in South East Motors (Strengthening alliance with Taiwanese partner)</li> <li>■ Chengfeng Motors                             <ul style="list-style-type: none"> <li>◆ Launched Pajero under the Mitsubishi brand in December</li> <li>◆ Considering JV for SUV production</li> </ul> </li> </ul>
Prod.	<ul style="list-style-type: none"> <li>■ Maximum utilization of two engine JVs (Consider making JVs a base for Asian production)</li> </ul>
Sales	<ul style="list-style-type: none"> <li>■ Develop and expand the sales network of Mitsubishi, with the possibility of establishing a sales operating company by the end of 2006</li> </ul>
Devl.	<ul style="list-style-type: none"> <li>■ Establish R&amp;D base to timely reflect market needs</li> </ul>

## Further Reinforce Sales Force

### Current Issues

- Strengthening the structure of Thailand, as an export and manufacturing base of pickup trucks and other models to other markets
- Take action in the Vietnamese market where expansion is expected
- Restructuring of business in Indonesia
- Australia: excess capacity

### Today's Announcement

#### Sales

- Strengthen sales in Thailand
  - Strengthening of sales department/Improve communication with dealers etc
- Malaysia: Sales expansion by establishing new sales company
  - Strengthening of sales force by utilizing the marketing capability of Mitsubishi Corporation
  - Malaysia/Indonesia/Vietnam
- Consider restructuring Indonesian business via capital reinforcement with MFTBC and Mitsubishi Corporation

#### Production

- Enhancement of production system
  - Thailand as an export base: enhance the capability of matching locally produced successor
- Australia: Implement impairment for excess capacity

# Cost Reductions

# Promoting Original Plan

(headcount)

60,000

50,000

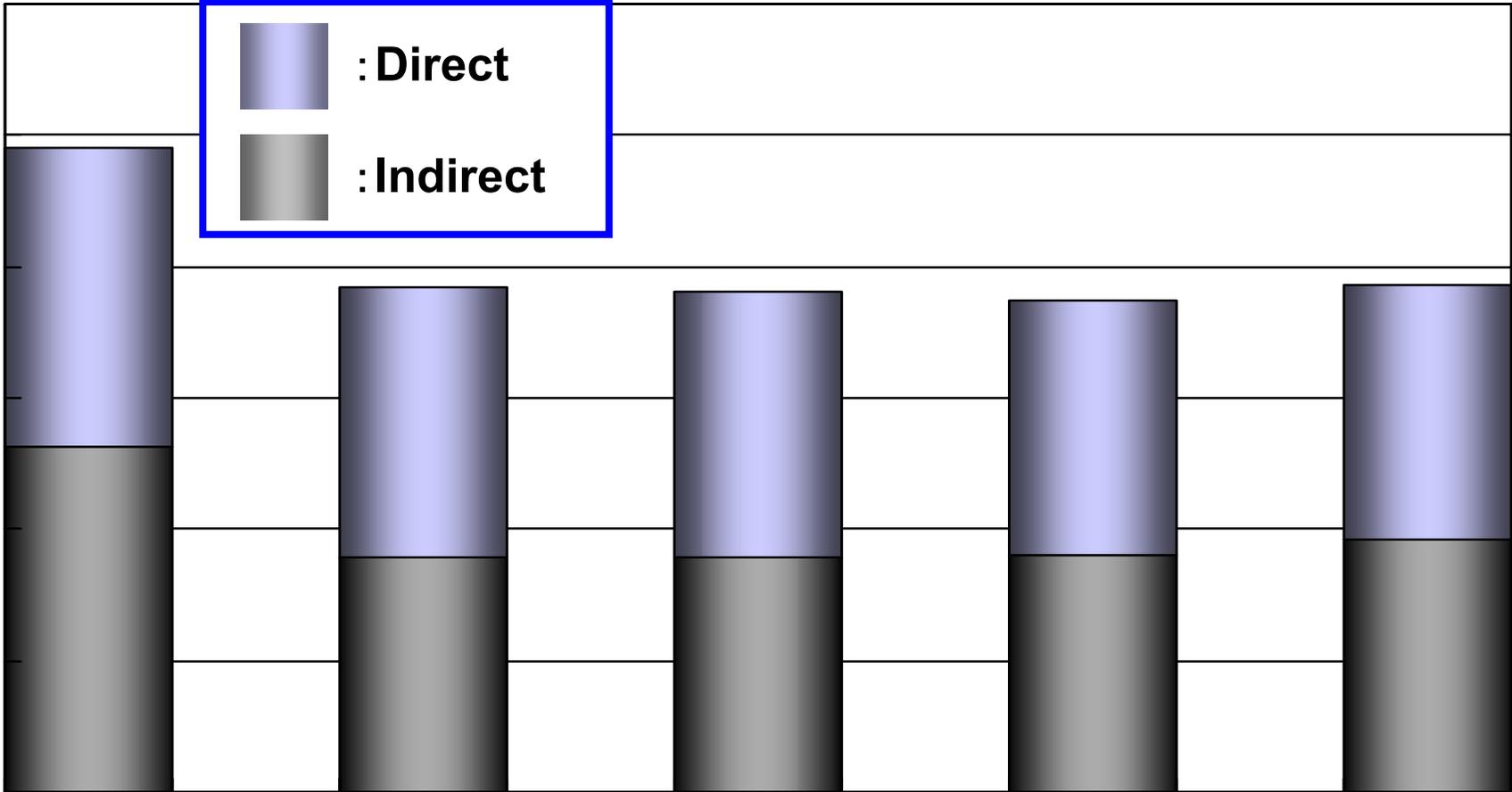
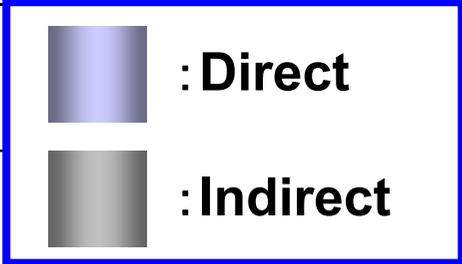
40,000

30,000

20,000

10,000

0



FY2004  
Beg

FY2004  
End

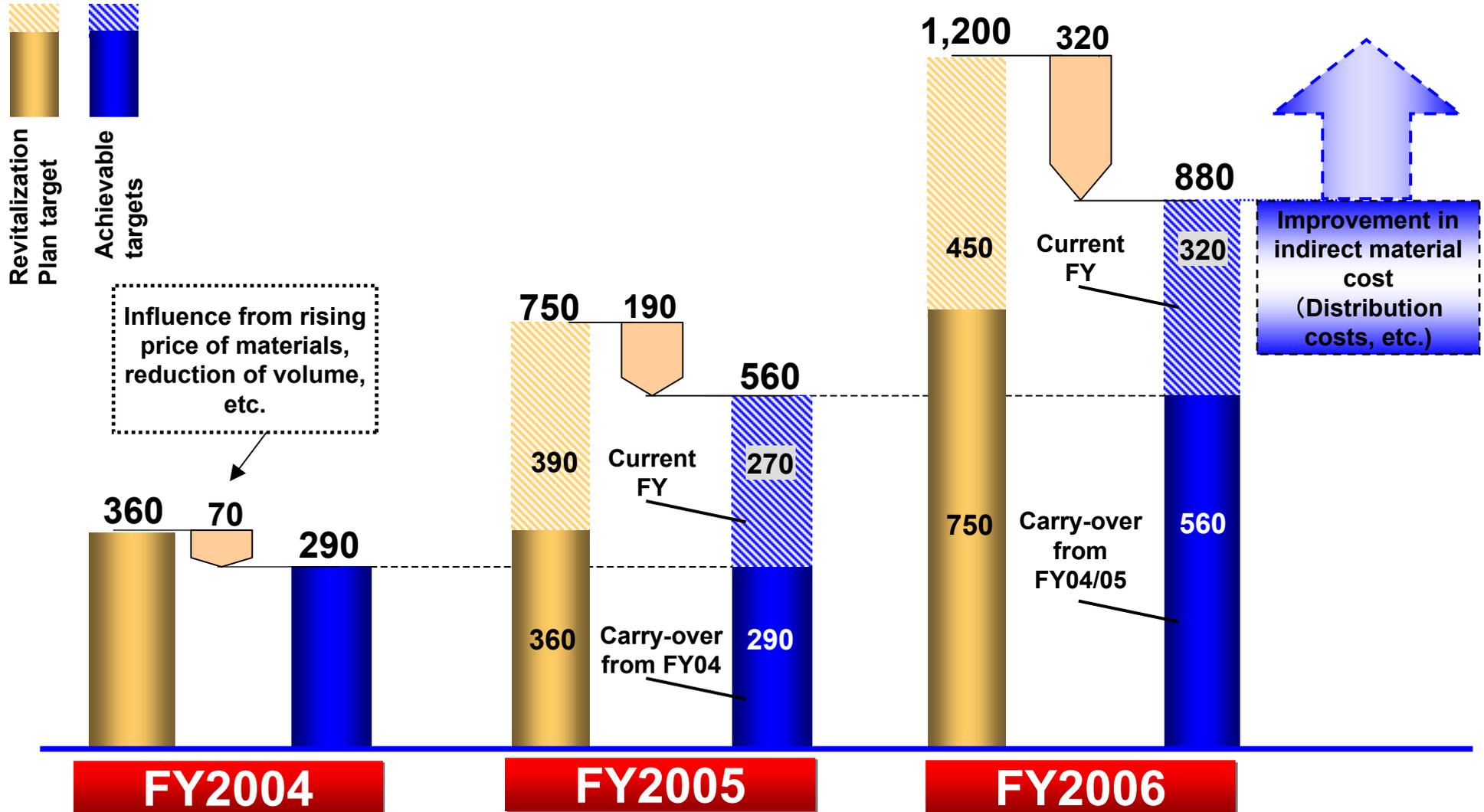
FY2005  
End

FY2006  
End

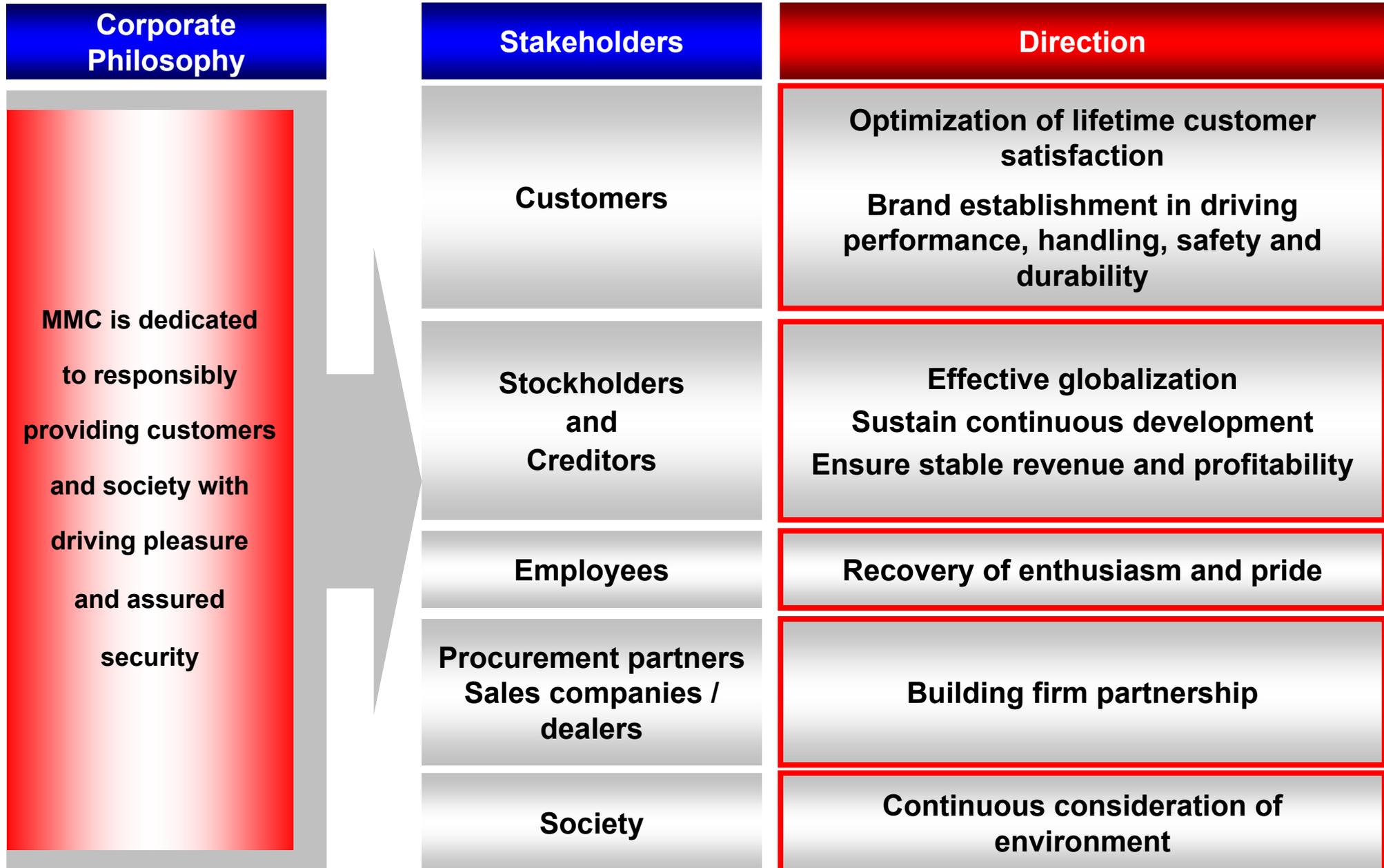
FY2007  
End

## Downward Revision of Total Target Amount, but Overall Reduction Ratio of 15% Sustained

Unit: ¥100m



# The Voice of Employees



# Financial

**Hiizu Ichikawa**  
**CFO**

<b>Consolidated</b> (unit: ¥100m)	<b>FY04</b> <b>Forecast</b>	<b>FY05</b> <b>Plan</b>	<b>FY06</b> <b>Plan</b>	<b>FY07</b> <b>Plan</b>
<b>Net Sales</b>	<b>20,350</b> <b>(21,000)</b>	<b>20,280</b> <b>(21,800)</b>	<b>21,590</b> <b>(24,900)</b>	<b>24,270</b>
<b>Operating Profit</b>	<b>-1,320</b> <b>(-1,200)</b>	<b>-140</b> <b>(200)</b>	<b>430</b> <b>(1,200)</b>	<b>740</b>
<b>Ordinary Profit</b>	<b>-1,970</b> <b>(-1,800)</b>	<b>-400</b> <b>(30)</b>	<b>210</b> <b>(1,000)</b>	<b>530</b>
<b>Net Profit</b>	<b>-4,720</b> <b>(-2,400)</b>	<b>-640</b> <b>(100)</b>	<b>80</b> <b>(700)</b>	<b>410</b>
<b>Exchange Rate</b> US \$ /Euro	<b>108 / 132</b> <b>(105/125)</b>	<b>105 / 125</b> <b>(105/125)</b>	<b>105 / 125</b> <b>(105/125)</b>	<b>105 / 125</b> <b>(105/125)</b>

Note: ( ) numbers from Revitalization Plan on May 21,2004. Numbers for FY04 from 1<sup>st</sup> half financial result announced on Nov 8, 2004

(11/8 1H announcement revision variance)

## ■ Decreased operating profit

● Unit sales revised - Mainly North America, China and Australia - ¥ 12 billion

## ■ Deterioration of ordinary profit

● Issuance of new shares - ¥ 5 billion

## ■ Review of extraordinary gains and losses

To alleviate future liabilities, recognized special loss, etc. as follows:

● NA and Australia fixed assets impairment booking\* - ¥113 billion

● Losses from the sale of fixed assets - ¥ 17 billion

● Other - ¥ 85 billion

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- ¥215 billion

# Regional Performance for FY04-FY07

## Consolidated

(unit: ¥100m)

	FY04	FY05	FY06	FY07
	Forecast	Plan	Plan	Plan
<b>Net Sales</b>	<b>20,350</b>	<b>20,300</b>	<b>21,600</b>	<b>24,300</b>
Japan	4,200	4,700	5,000	5,700
N.A.	4,300	4,500	4,900	5,100
Europe	5,850	4,800	5,200	6,300
Other regions	6,000	6,300	6,500	7,200
<b>Operating profit</b>	<b>-1,320</b>	<b>-140</b>	<b>430</b>	<b>740</b>
Japan	-960	-680	-400	-180
N.A.	-1,110	-210	80	-70
Europe	20	30	-80	110
Other regions	730	720	830	880

# Financing

## Full support from 3 Mitsubishi Group Companies

- Increase in percent of stock held by 3 Mitsubishi Group Companies:

Investment Ratio 34%



Over 1/3 of shares secured

- Mitsubishi Heavy Industries, Ltd:

Investment Ratio 15%



MMC to become equity method affiliate of MHI from FY2005

### 【Support from the 3 Shareholder Companies】

	New Investment (incl. DES*)
■ Mitsubishi Heavy Industries, Ltd.	¥50 billion
■ Mitsubishi Corporation, Ltd.	¥70 billion
■ Bank of Tokyo-Mitsubishi	¥150 billion (¥50 billion*)
<b>Total</b>	<b>¥270 billion (¥50 billion*)</b>

Planned Share Ratio
15%
14%
5%
<b>34%</b>

\*: Includes Debt Equity Swap of ¥50 billion

## Capital increase ¥270 bln ('04)

- Mitsubishi Heavy Industries, Ltd      ¥ 50 bln
- Mitsubishi Corporation, Ltd            ¥ 70 bln
- Bank of Tokyo-Mitsubishi            ¥150 bln  
(incl. D/E swap of ¥50 bln)

## Bus. invest. & Capital Increase      ¥ 30 bln ('05)

- Mitsubishi Corporation, Ltd      ¥ 30 bln

## Loan    ¥240 bln

## Total                                         ¥540 bln

(Not incl. D/E swap      ¥490 bln)

### 【Capital】

- Restore capital written-off for asset impairment

### 【Financing】

- Ensure capital for revitalization (FY05~FY07 cum. total)
  - R&D Capital ¥270 billion
  - Capital investment ¥310 billion

Committed to achieving plan by securing the necessary funds and restoring our financial position

## 'FY04~FY07 B/S forecast

(unit: ¥100m)

	FY04(3E)	FY05(3E)	FY06(3E)	FY07(3E)
Cash and Cash in banks	2,480	1,750	1,680	1,500
Trade notes & accounts receivable	3,200	3,000	2,860	2,990
Inventories	2,670	2,520	2,500	2,420
Tangible/Intangible fixed assets	5,680	5,680	5,940	6,120
Investments	1,530	1,800	1,930	2,060
Other assets	870	1,170	1,100	1,110
<b>Total Assets</b>	<b>16,430</b>	<b>15,920</b>	<b>16,010</b>	<b>16,200</b>
Trade notes & accounts payable	3,180	2,980	2,990	3,360
Interest-bearing debt	4,790	4,970	5,000	4,320
Other liabilities	5,130	5,000	4,970	5,060
<b>Total Liabilities</b>	<b>13,100</b>	<b>12,950</b>	<b>12,960</b>	<b>12,740</b>
Minority Interests	160	160	160	160
Common stock & capital surplus	10,460	10,760	10,760	10,760
Retained earnings	-7,290	-7,950	-7,870	-7,460
<b>Total stockholder's equity</b>	<b>3,170</b>	<b>2,810</b>	<b>2,890</b>	<b>3,300</b>
<b>Tot. Lia., Min. Int. &amp; SH equity</b>	<b>16,430</b>	<b>15,920</b>	<b>16,010</b>	<b>16,200</b>

## 'FY04~FY07 Cash flow forecast

	FY04	FY05	FY06	FY07
Cash flows from operating act.	-450	10	1,050	1,620
Cash flows from investing act.	-640	-1,220	-1,150	-1,120
Cash flows from financing act.	1,830	480	30	-680
<b>Cash flow total</b>	<b>740</b>	<b>-730</b>	<b>-70</b>	<b>-180</b>

# Conclusion

**Takashi Nishioka**  
**Chairman & CEO**

All statements herein, other than historical facts, contain forward-looking statements and are based on our forecasts, expectations, target, assumptions, plans and evaluation as of the date hereof. Any expected number is calculated or obtained based on certain assumption. Forward-looking statements involve inherent risks and uncertainties. A number of significant factors could therefore cause actual results to differ from those contained in any forward-looking statement. Such significant factors include, but not limited to:

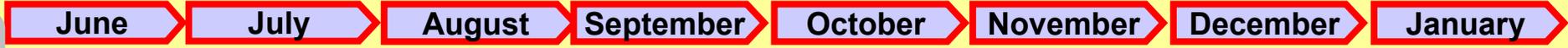
- feasibility of each target and initiatives as contemplated by the Mitsubishi Motors Revitalization Plan;
- any material adverse affects by any product quality problems in the past and future of our group and of Mitsubishi Fuso Truck & Bus Co., Ltd. (“MFTBC”) that was spun off from us and by any civil proceedings, recalls, administrative or criminal sanctions that may be brought or executed relating thereto;
- possible fluctuations in interest rates, exchange rates and oil prices;
- possible changes in laws, regulations and government policies; and
- general economic conditions in Japan and overseas

It should be noted that potential risks and uncertainties are not limited to the above and that we undertake no obligation to update the information in these statements to reflect any development or event in the future.

# Appendix

2004

2005



Corporate Restructuring Committee established

## Interview Phase

- **Domestic/ Overseas Interviews**  
(over 350 interviewees)
- Employees
- Dealers
- Procurement Partners
- **In-house data**
- Customer surveys, etc.
- **Questionnaire Survey** (over 14,000 employees)
- MMC
- PMC

Extraction of Issues

Development of measures in response to environmental changes in/outside Japan

Cross Functional Team (CFT) Activities

- CFT#0
  - Governance reform
  - Individual tasks
  - Creation of Business Revitalization Action Plan
- CFT#1 Brand/products deployment
- CFT#2 Product appeal and sales strength
- CFT#3 Customer relation
- CFT#4 Volume projection process
- CFT#5 Quality management
- CFT#6 Development, Design, Procurement
- CFT#7 Production
- CFT#8 Logistics
- CFT#9 Corporate culture reform

Drafting / Verification of Hypothesis

Oct. 6 Interim Report

Development of Revitalization Plan

Policy Review Meetings

Dec. 3 final Recommendation

Establishment of Execution Structure

January Press Release

Execution and Monitoring of Revitalization Plan

Business Revitalization Follow-up Team

# Strategic Direction of Mitsubishi Motors (overview)

Corporate Philosophy	Stakeholders	Direction	Measures
<p>MMC is dedicated to responsibly providing customers and society with driving pleasure and assured security</p>	<p>Customers</p>	<p>Optimization of lifetime customer satisfaction Brand establishment in driving performance, handling, safety and durability</p>	<ul style="list-style-type: none"> <li>Strengthen linkages with customers</li> <li>Ensure sense of security (new maintenance package, introduction of new maintenance service with extended warranty) } Japan</li> <li>Quality improvement by utilizing CSI in customers' perspective (exceeding quality)</li> <li>Development and deployment of motorsport technologies to all models</li> </ul>
	<p>Stockholders and Creditors</p>	<p>Effective globalization Sustain continuous development Ensure stable revenue and profitability</p>	<ul style="list-style-type: none"> <li>Strengthen global models</li> <li>Emphasis on growing markets, such as ASEAN</li> <li>Continuous development through tie-ups</li> <li>Ensure the thoroughness and responsibilities of business management</li> <li>Focus on cost reduction</li> <li>Equity enhancement</li> </ul>
	<p>Employees</p>	<p>Recovery of enthusiasm and pride</p>	<ul style="list-style-type: none"> <li>A structure which solves problems in a cross-functional style</li> </ul>
	<p>Procurement Partners Sales Co. / Dealers</p>	<p>Building firm partnership</p>	<p><b>Collaboration</b></p> <ul style="list-style-type: none"> <li>Procurement partners' early participation to development process</li> <li>Strengthening of cooperation with dealers</li> </ul>
	<p>Society</p>	<p>Continuous consideration of environment</p>	<ul style="list-style-type: none"> <li>Continuous development of electric-powered vehicles, etc</li> <li>Promotion of environmentally conscious activities throughout the product life cycle, from development to disposal</li> </ul>

## Mitsubishi Group

“Sankoryo” ... The Three Principles

- “Shoki hoko” ..... Corporate Responsibility to Society
- “Shoji komei” ..... Integrity and Fairness
- “Ritsugyo boeki” ..... Global Perspective

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## Corporate Philosophy

**MMC is dedicated to responsibly providing customers and society with driving pleasure and assured security**

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## Management

Commitments

- MMC’s basic policy is to cherish our customers, pursue safety, and implement compliance
- Ensure transparency by disclosing information fully to all our stakeholders
- Clarify the responsibilities of management and achieve our management objectives

## “Simplicity and Fortitude” (Driving Performance, Handling, Safety, Durability)



**Sporty DNA**



**SUV DNA**



<b>Build the Foundation</b>	<ul style="list-style-type: none"><li>● Strengthen the service quality</li><li>● Increase the dealer service productivity</li><li>● Strengthen the foundation of CRM(Customer Relationship Management)</li><li>● Strengthen the used-car business</li><li>● Improve the mix of parts and accessories available</li></ul>
<b>Strengthen customer relationships</b>	<ul style="list-style-type: none"><li>● Execute programs to better link with customers over the internet</li><li>● Promote continuous communication with customers</li></ul>
<b>Offer attractive high-value added service</b>	<ul style="list-style-type: none"><li>● Offer new extension warranty services with conditions such as vehicle check-in for inspection</li><li>● Introduce Mitsubishi Assist 24-hour roadside and reminder service*</li></ul>

Measures to improve customer satisfaction

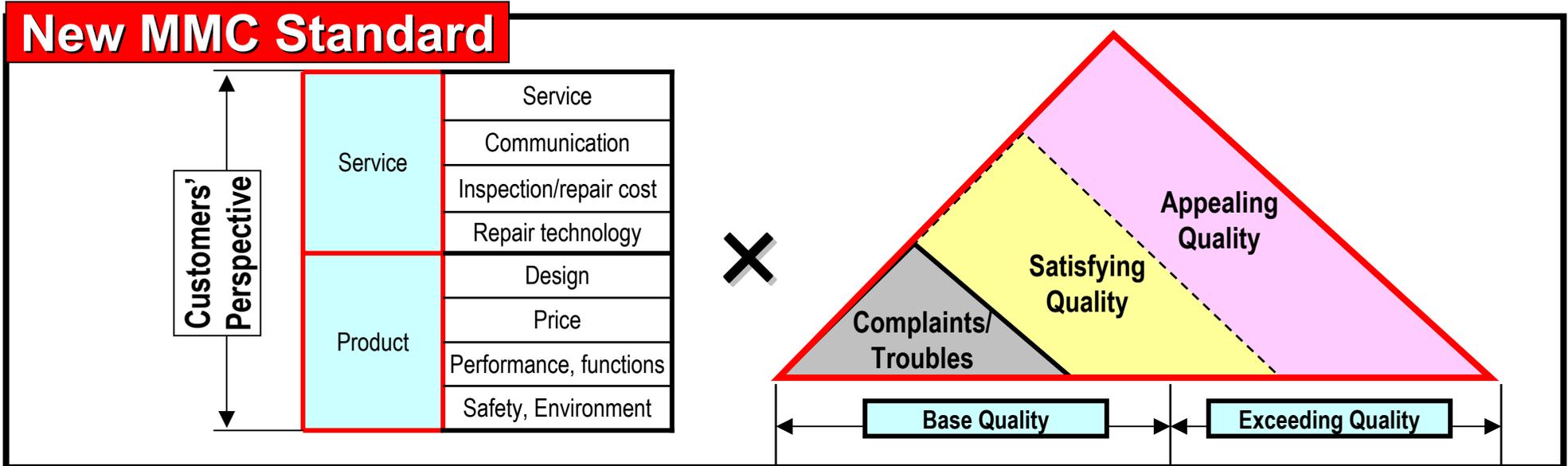


**Voice of Customers**

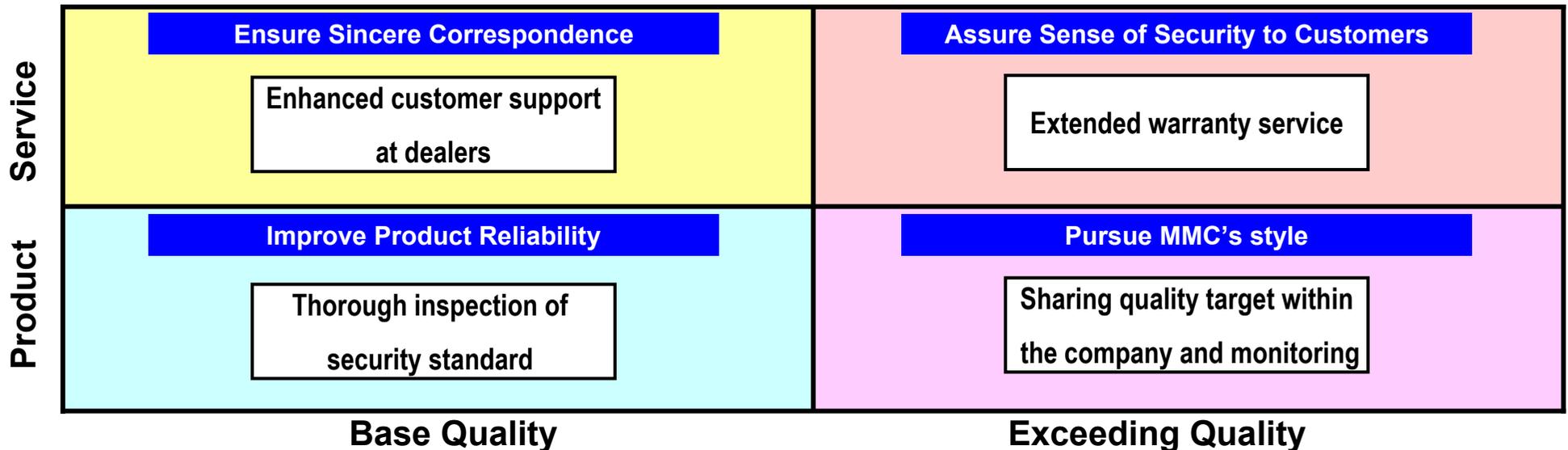


**MMC will unite and work on the measures established in the regular meetings held by board members**

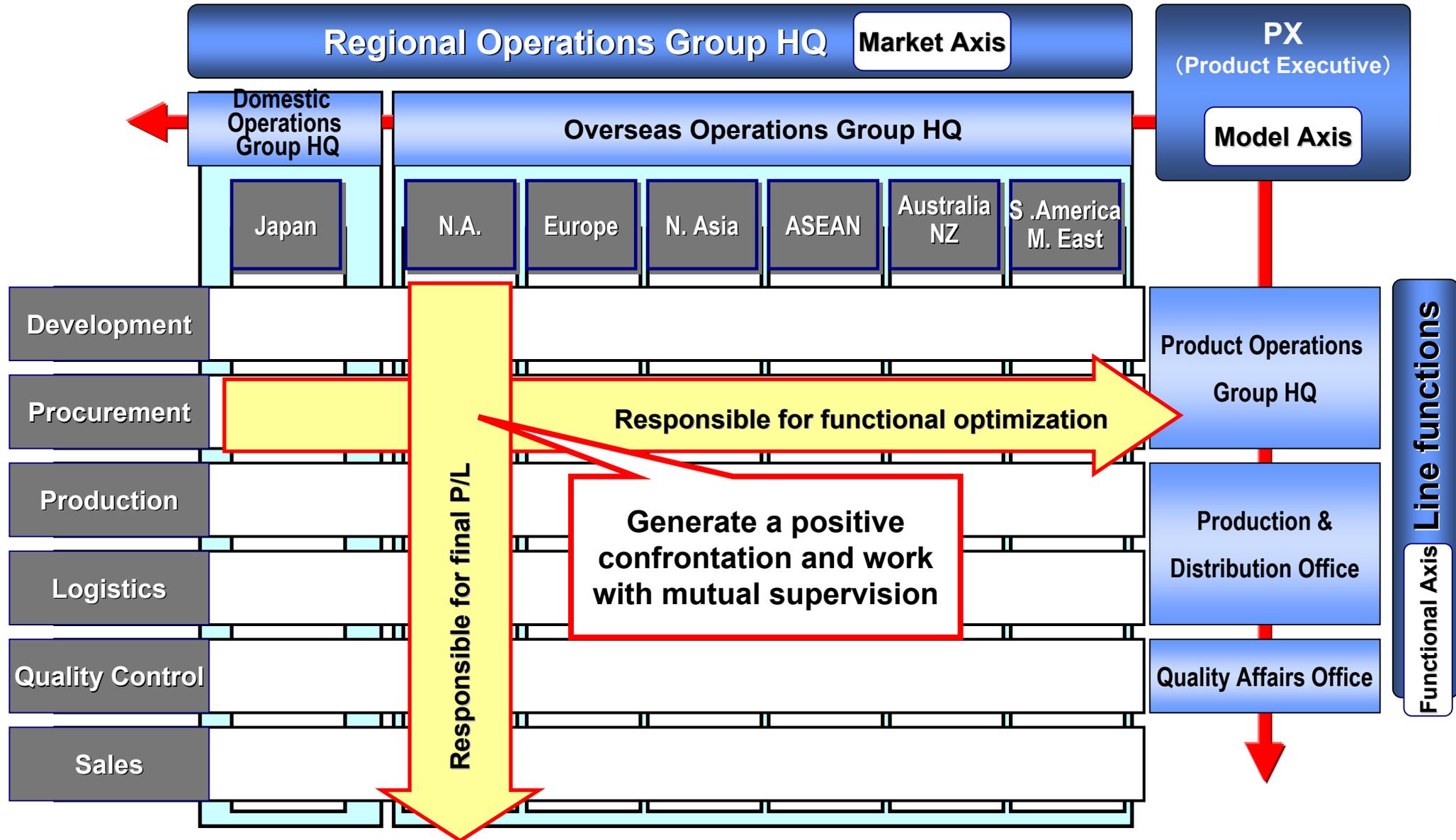
\* Vehicle checkup services during customer visits, vehicle checkup notification indicator light on the instrumental panel



### Measures to ensure new MMC standard



3-D Management by Market-axis, Functional-axis, Model-axis



# Radical Reformation of Subsidiaries: Strengthening of Matrix Management in Headquarters

